

1 RONALD P. OINES (SBN 145016)
roines@rutan.com
2 RUTAN & TUCKER, LLP
611 Anton Boulevard, 14th Floor
3 Costa Mesa, CA 92626-1931
Telephone: (714) 641-5100
4 Facsimile: (714) 546-9035

5 RANDOLPH C. FOSTER (OSB 784340)
rcfooster@stoel.com
6 (*pro hac vice*)
STEVEN E. KLEIN (OSB 051165)
7 seklein@stoel.com
8 (*pro hac vice*)
STOEL RIVES LLP
9 900 SW Fifth Avenue, Suite 2600
Portland, OR 97204
Telephone: (503) 224-3380
10 Facsimile: (503) 220-2480

11 EDWARD C. DUCKERS (SBN# 242113)
ecdickers@stoel.com
12 STOEL RIVES LLP
555 Montgomery Street, #1288
13 San Francisco, CA 94111
Telephone: (415) 617-8900
14 Facsimile: (415) 617-8907

15 Attorneys for Plaintiff
JIPC Management, Inc.

17 UNITED STATES DISTRICT COURT
18 CENTRAL DISTRICT OF CALIFORNIA

19 JIPC MANAGEMENT, INC.,

20
21 Plaintiff,

22 v.

23 INCREDIBLE PIZZA CO., INC.;
24 INCREDIBLE PIZZA FRANCHISE
GROUP, LLC; CJM RACING, LLC.,

25 Defendant.
26
27
28

Case No. CV08-4310 MMM (PLAX)

**PLAINTIFF'S OPPOSITION TO
DEFENDANTS' MOTION IN
LIMINE NO. 10 RE: RULE 408
COMMUNICATIONS**

Hon. Margaret M. Morrow

**Date: July 13, 2009
Time: 9:00 a.m.
Ctrm: Roybal 780**

1 Plaintiff JIPC Management, Inc. (“JIPC”) submits this Opposition to
2 Defendants’ Motion in Limine No. 10 Re: Rule 408 Communications (“MIL No.
3 10”).

4 **MEMORANDUM OF POINTS AND AUTHORITIES**

5 In its MIL No. 10, defendants Incredible Pizza Co., Inc. and Incredible Pizza
6 Franchise Group LLC (“IPC”) seek to invoke the provisions of Fed. R. Evid. 408
7 pertaining to settlement communications to bar plaintiff JIPC Management, Inc.
8 (“JIPC”) from introducing six documents into evidence. These documents are
9 relevant and admissible.

10 **ARGUMENT**

11 Federal Rule of Evidence 408(a) generally prohibits settlement
12 communications when offered to prove liability. Evidence of settlement
13 communications is admissible, however, if it is offered for a purpose other than that
14 set forth in Rule 408(a). Fed. R. Evid. 408(b). Specifically, Rule 408(b) provides:

15 Permitted uses. This rule does not require exclusion if
16 the evidence is offered for purposes not prohibited by
17 subdivision (a). Examples of permissible purposes
18 include proving a witness’s bias or prejudice; negating a
19 contention of undue delay; and proving an effort to
20 obstruct a criminal investigation or prosecution.

21 It is well-settled that the examples of permitted uses in Rule 408(b) are
22 illustrative and not exhaustive. *Rhoades v. Avon Prods., Inc.*, 504 F.3d 1151, 1161
23 n.9 (9th Cir. 2007) (*citing United States v. Technic Servs.*, 314 F.3d 1031, 1045 (9th
24 Cir. 2007) (admitting settlement agreement to show satisfaction of jurisdiction));
25 *Brocklesby v. United States*, 767 F.2d 1288, 1293 (9th Cir. 1985) (admitting
26 indemnity agreement between co-defendants to show co-defendants’ nonadverse
27 relationship and attack credibility of their witnesses). As set forth below, the
28 documents IPC seeks to exclude are either (1) not settlement communications or (2)

1 being introduced, not for the purpose of proving liability, but for other proper
2 purposes.

3 **I. The 2000 Telephone Transcript and March 31, 2004 Letter Are Not**
4 **Settlement Communications.**

5 The May 2000 transcript of a telephone conversation between John Parlet
6 and Rick Barsness is not settlement communication. Rule 408 requires that
7 settlement communications must show “furnishing or offering or promising to
8 furnish—or accepting or offering or promising to accept—a *valuable consideration*
9 in compromising or attempting to compromise the claim.” Fed. R. Evid. 408(a)(1)
10 (emphasis added). The transcript contains no offer or promise to furnish valuable
11 consideration in compromising or attempting to compromise any claim. In the
12 conversation, Parlet demanded that Barsness pick another name. Barsness merely
13 equivocated; on the one hand telling Parlet that “I don’t want you to think that I’m
14 not absolutely not headed in that direction,” while on the other hand imploring
15 Parlet to let him “have some part of the country and use the name . . . a small piece
16 of real estate anywhere?” (MIL No. 8, Ex. 1 at 33-34.) Parlet refused outright.
17 This hardly constitutes settlement negotiations under Rule 408.

18 Moreover, even if the 2000 telephone transcript is deemed to reflect
19 settlement communications, the contents of the transcript relates directly to other
20 proper subjects—such as IPC’s knowledge and intent—that are relevant to JIPC’s
21 defense of laches, the likelihood of confusion, and the award of profits to JIPC.
22 Thus, the content of 2000 telephone transcript is admissible under Rule 408(b).

23 As for the March 31, 2004 letter from the former counsel for IPC to the
24 former counsel for JIPC, this Court has expressly rejected IPC’s argument that the
25 letter contains settlement communications protected by Rule 408. *See* Order
26 Granting in Part and Denying in Part Defendant’s Motion for Summary Judgment,
27 Doc. 188 at 32 n.87.

1 **II. The Settlement Communications Are Relevant to IPC’s Defense That**
2 **JIPC’s Claims Are Barred by Laches.**

3 IPC argues that these communications are not “continuous and bilateral
4 discussions” and thus may not be admitted for the purpose of excusing undue delay
5 in filing suit, as set forth in Rule 408(b). This straw man argument misses the
6 point. As discussed above, settlement communications clearly may be offered for
7 other purposes not expressly stated in Rule 408(b), so long as they are not offered
8 to prove liability.¹

9 It is well established that the running of laches is tolled during periods when
10 the parties are engaged in settlement negotiations. IPC fully concedes the rule, but
11 argues that such negotiations need to be “continuously and bilaterally progressing,
12 with a fair chance of success” to be relevant, citing *A.C. Aukerman Co. v. Miller*
13 *Formless Co.*, 693 F.2d 697 (7th Cir. 1982). IPC misstates the law. The rule stated
14 in *A.C. Aukerman* is that, generally, *license negotiations* do not necessarily push
15 back the running of time in a laches defense for patent infringement unless the
16 negotiations are continuous and bilaterally progressing, with a fair chance of
17 success. *Id.* at 700.

18 In trademark infringement cases laches is an equitable defense which is left
19 to the discretion of the district court. *Liquid Glass Enterprises, Inc. v. Dr. Ing.*
20 *h.c.F. Porsche AG*, 8 F. Supp. 2d 398, 405 (D.N.J. 1998). Settlement negotiations
21 are not counted towards laches because settlement of legal disputes is a preferred
22 course of conduct for which a party should be rewarded, not penalized. 6
23 *McCarthy on Trademarks and Unfair Competition* §31:15 (2009). Moreover, the
24 factual nature of laches defense indicates that the nature of the settlement efforts is

25 ¹ Further, IPC may not categorically reject as irrelevant all settlement
26 communications based on its blanket allegation that such communications are not
27 sufficient to constitute an excuse for JIPC’s delay. *See In re Bay Area Material*
28 *Handling, Inc.*, No. 94-15815, 1996 WL 29262, at *3 (9th Cir. Jan. 25, 1996)
 (unpublished) (“[T]he settlement offer was relevant to the conflict of interest
 alleged, notwithstanding Bay Area’s assertion that such a conflict was logically
 impossible.”).

1 relevant to whether it was, in fact, excusable delay, as the information contained
2 therein is relevant to the reasonableness of the delay.

3 In this case, evidence of settlement negotiations is relevant to determine
4 whether any delay in filing suit was excusable due to settlement negotiations and
5 other good faith efforts on the part of the plaintiff to amicably resolve the dispute.
6 The communications illustrate that JIPC made ongoing attempts to resolve potential
7 claims between the parties *before* the JIPC could assert a cause of action for
8 infringement. As such, the communications are further evidence that JIPC was
9 diligently pursuing its rights and attempted in good faith to prevent future conflicts
10 that could arise between the parties. *See Citibank, N.A. v. Citibanc Group, Inc.*,
11 724 F.2d 1540, 1546-47 (11th Cir. 1984) (finding no laches where plaintiff notified
12 defendants of possible infringement problem before defendants adopted infringing
13 mark, but defendants proceeded despite plaintiff's complaints).

14 Accordingly, the settlement communications are relevant and admissible and
15 are not offered for an improper purpose under Rule 408(a). Fed. R. Evid. 401, 402,
16 408; *see also PRL USA Holdings, Inc. v. U.S. Polo Ass'n, Inc.*, 520 F.3d 109, 115-
17 16 (2d Cir. 2008) (holding that evidence of parties' settlement discussions was
18 admissible to prevent defense of estoppel in infringement case).

19 **III. Evidence of the Settlement Communications Is Not Unfairly Prejudicial.**

20 IPC argues that these settlement communications are unfairly prejudicial
21 because they did not "occur within the current context of this case." No authority
22 warrants exclusion on these grounds, and IPC cites to none. Indeed, such an
23 assertion could be made about *every* settlement offer prior to litigation.

24 IPC also contends that the specific content of settlement communications
25 could confuse or mislead the jury. However, JIPC does not offer the settlement
26 communications for their content. Rather, JIPC offers the settlement
27 communications to show that JIPC took action to resolve potential or likely
28 infringement claims between the parties. Further, any likelihood of prejudice or

1 confusion from the contents of the settlement communications can be addressed by
2 an instruction to the jury. *PRI USA Holdings, Inc.*, 520 F.3d at 116.

3 **CONCLUSION**

4 For the foregoing reasons, JIPC respectfully requests that the Court deny
5 IPC's motion in limine or defer ruling on the motion until trial when the factual
6 context for such evidence is developed.

7
8 DATED: June 29, 2009

STOEL RIVES LLP

9 By: /s/Steven E. Klein

10 RANDOLPH C. FOSTER

11 EDWARD C. DUCKERS

STEVEN E. KLEIN

12 RUTAN & TUCKER, LLP

13 RONALD P. OINES

14 Attorneys for Plaintiff

15 JIPC Management, Inc.